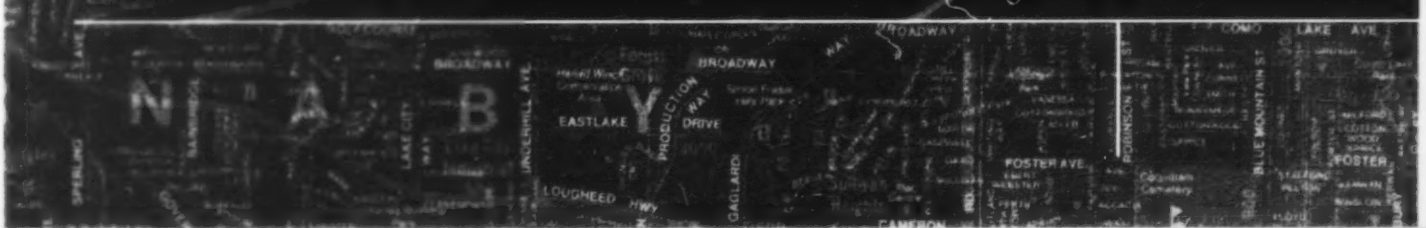
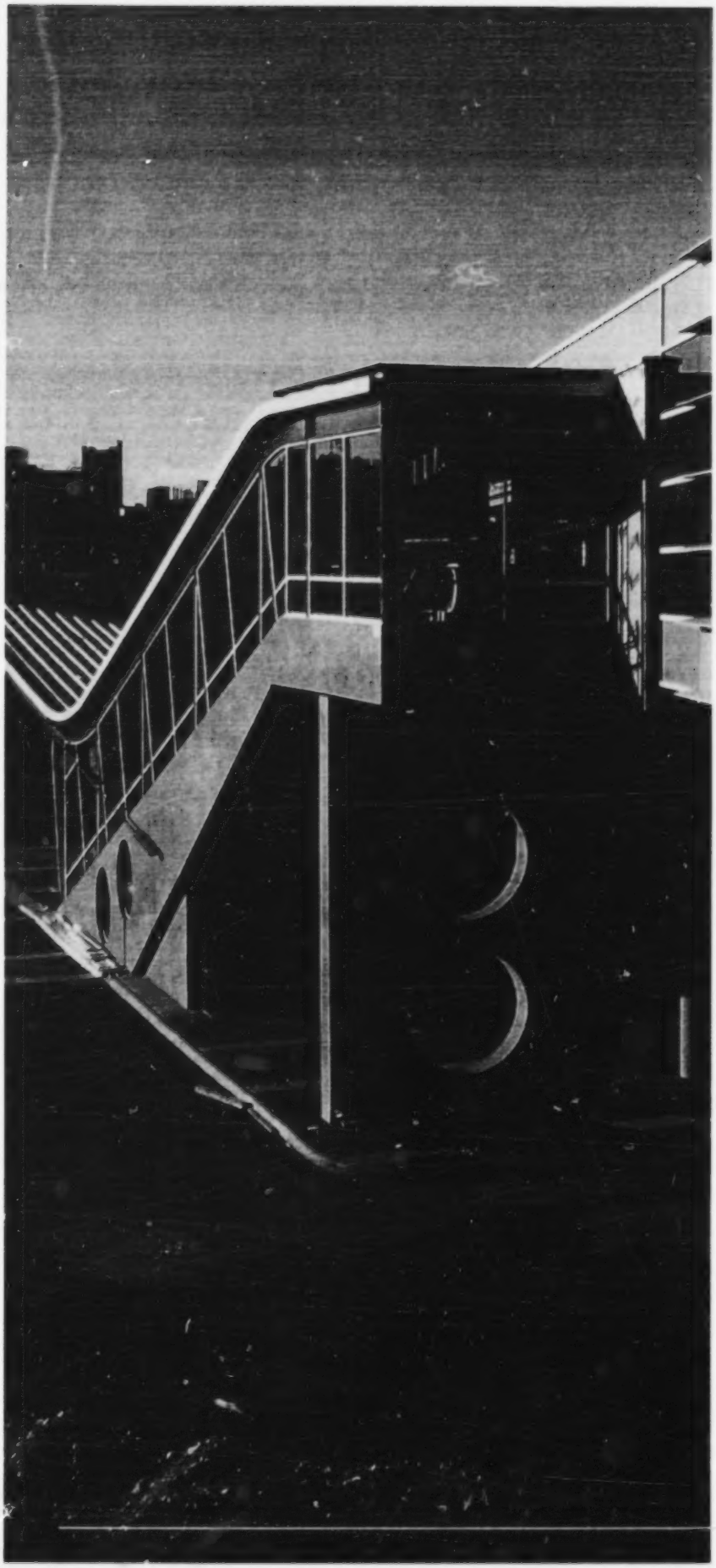
RAPID TRANSIT PROJECT 2000 LTD.

Millennium Line

ANNUAL REPORT

2005 – 2006





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MESSAGE FROM THE CHAIR

The Millennium Line, which links Vancouver and New Westminster via the Broadway-Lougheed corridor, reached final completion during the past year. The last leg of the Millennium Line from Commercial Drive west to Clark Drive, and the final station at Vancouver Community College was handed over to the operator, Translink, on December 20, 2005, and opened for revenue service on January 6, 2006. The completion of each phase of the Millennium Line on schedule and under budget is a tribute to the RTP 2000 Project management team and the expertise of the many BC Firms who participated in the design, engineering, and construction of this project.

The Lower Mainland is home to the world's longest (48 km) fully automated rapid transit system in the world. This leading-edge system has, and will continue to be an integral part of the traffic management solution for the area for decades as regional growth continues.

It is satisfying to know that we offer a world-class rapid transit system that affords Lower Mainland's residents and visitors a choice for travel and commuting, above the traffic in an environmentally friendly, fast and comfortable manner.

Dan Doyle, Chair
Board of Directors

ACCOUNTABILITY STATEMENT

The 2005/06 Rapid Transit Project 2000 Ltd. Annual Report was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the report, including the selection of performance measures and how the results have been reported. The information presented reflects the actual performance of the Crown agency for the twelve months ended March 31, 2006. All significant decisions, events and identified risks, as of May 17, 2006, have been considered in preparing the report.

Dan Doyle, Chair
Board of Directors

MESSAGE FROM THE PRESIDENT & PROJECT DIRECTOR

The last major milestone for the Millennium Line – the design and construction of the VCC guideway and tailtrack and VCC-Clark Station – was achieved in December 2005. The last leg of Phase II of the Millennium Line was handed over to the operator on December 20, 2005 and put into revenue service on January 6, 2006.

The RTP 2000 Project team, which was able to complete this final leg of construction on time and under budget, in a market and economy impacted by cost escalation and labour shortages, is justifiably proud of this final achievement. RTP 2000 also received commendable cooperation from BCRTC staff that ensured a trouble free start-up of operations.

In addition, RTP 2000 personnel continued to assist other publicly funded major capital infrastructure projects with their financial and governance policies, procedures and structures.

RTP 2000 has completed the Millennium line with a significant under-expenditure of its total budget. A long term operating agreement for the Millennium Line with TransLink is nearing completion.

I take great pride in acknowledging the contributions and accomplishment of RTP 2000's small but highly dedicated team.

Colin E. Smith, P.Eng.
President & Project Director

MISSION

Rapid Transit Project 2000 Ltd. is a provincially held limited company incorporated under the *British Columbia Business Corporations Act* in 1998. RTP 2000's mandate is to:

- Design and construct the Millennium Line;
- Implement the terms of the Memorandum of Understanding between Bombardier and the Province;
- Participate in cost sharing negotiations between the Province and TransLink; and
- Undertake studies to determine the feasibility, acceptability, cost, implementation options, and financing strategies for lines to Vancouver West and Port Moody-Coquitlam.

RTP 2000's financial management is governed by the *Financial Administration Act*, *Financial Information Act*, and a fiscal agency agreement with the Ministry of Finance. A comprehensive protocol agreement defines RTP 2000's corporate relationship with the provincial government, including Board authority in respect of material decisions and reporting requirements.

The *BC Transit Amendment Act* and a previous agency agreement with BC Transit grants RTP 2000 the powers under the BC Transit Act to determine the alignment for the SkyTrain extension and acquire the property rights for the statutory right-of-way.

MINISTER RESPONSIBLE

Honourable Kevin Falcon, Minister of Transportation

BOARD OF DIRECTORS

RTP 2000 is led by a three-member Board of Directors.

- Dan Doyle (Chair, Board of Directors)
- Tamara Vrooman (Chair, Audit Committee) – Deputy Minister, Ministry of Finance
- Colin E. Smith, P.Eng. – President & Project Director

EXECUTIVE GROUP

- Colin E. Smith, P.Eng. – President & Project Director
- Krista Freeman, CGA – Chief Financial Officer & Corporate Secretary
- Meiric Preece, P.Eng. – Project Manager

CONTACT INFORMATION

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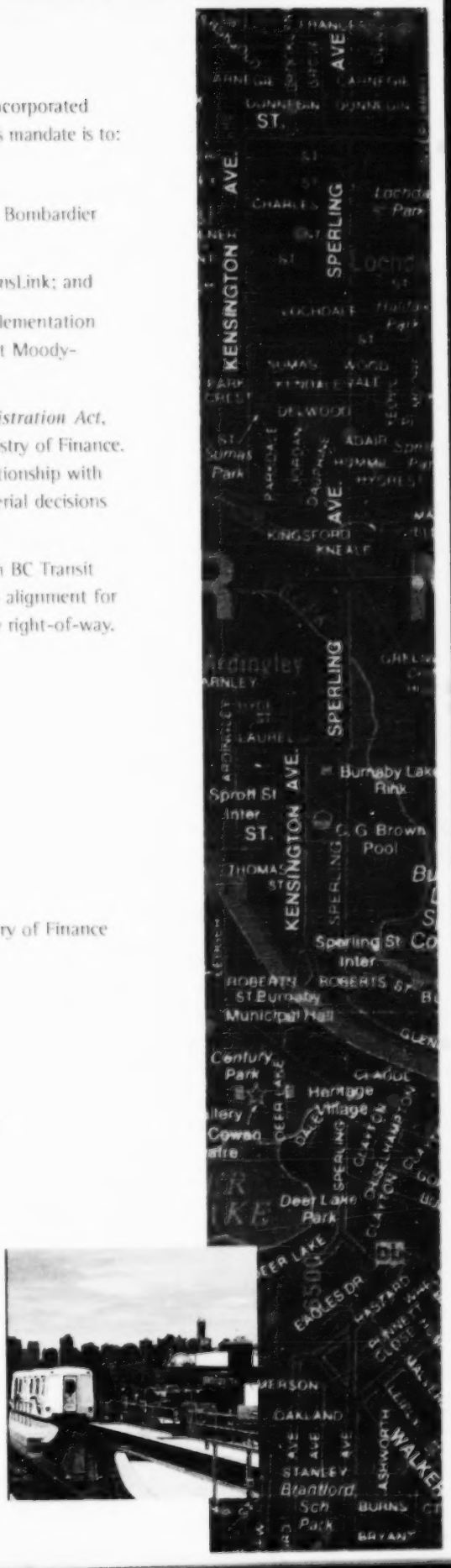
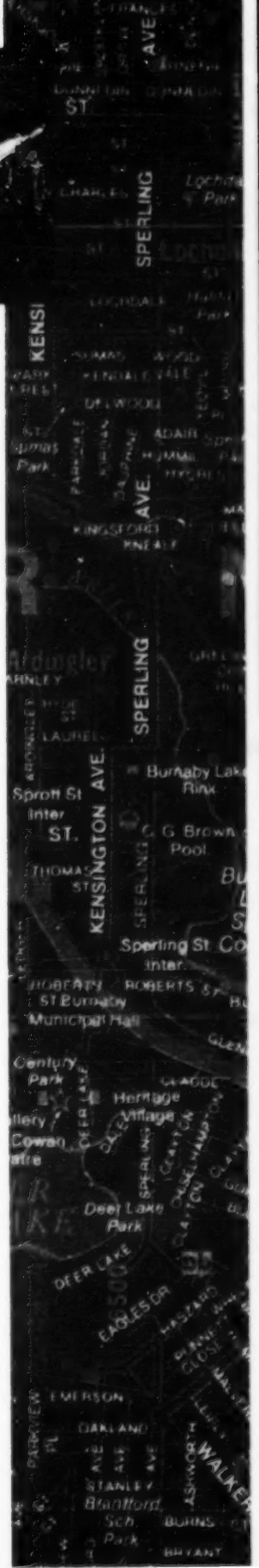




During the past year, RTP 2000 completed the Millennium Line project with the opening of the final extension from Commercial drive west to VCC-Clark Station. This extension was completed on time and under budget, increasing total under-expenditures for the Millennium Line to $63 million.

MILLENNIUM LINE CONSTRUCTION

- Construction of VCC-Clark Station and its associated tail track guideway commenced in late 2003. Guideway construction was completed in fiscal 2004/05. VCC-Clark Station was completed in fiscal 2005/06.
- This remaining leg was handed over to the operator, BCRTC, on December 20, 2005, and opened for revenue service in early January 2006.
- The final leg of the Line was officially opened by the Honorable Kevin Falcon, Minister of Transportation, and Malcolm Brodie, Chair of Translink, on January 26, 2006.

MUNICIPAL IMPROVEMENT FUND

- Construction of the Sapperton Station walkway cover was completed in June 2005.
- VCC Station MIF work was completed in late 2005.

PROJECT CLOSE-OUT

- RTP 2000 reached an agreement with the City of Burnaby for the close out of the Burnaby Access Agreement.
- RTP 2000 has reached full agreement with the City of Vancouver on an amendment to the Vancouver Access Agreement, and is to be closed out shortly.
- The Province and RTP 2000 are finalizing terms and conditions for the Millennium Line Use Agreement with Translink.
- RTP 2000 continued to conclude remaining project tasks as outlined in the comprehensive close-out plan.
- RTP 2000 continued to downsize its staff as the project nears completion. The project office is expected to close June 30, 2006.

In May 1998, the provincial government approved a budget of $1.1665 billion to plan, design and build a new SkyTrain line (the Millennium Line) from New Westminster's Columbia Station to Vancouver Community College's King Edward Campus (VCC). Subsequently, six other related projects were approved:

- Lougheed Mall to Coquitlam definition phase ($6.8 million)
- VCC to Arbutus definition phase ($4.2 million)
- Negotiations ($1.7 million)
- Coquitlam pre-build ($29.3 million)
- Expo Line upgrades ($94 million)
- Municipal Integration Fund (MIF) ($35 million)

The Province of British Columbia also financed RTP 2000's acquisition of twenty MK II SkyTrain vehicles for TransLink to use on the existing Expo line. The $68 million total cost of the vehicles (including interest) has been fully recovered from TransLink.

RTP 2000 is entitled to receive reimbursement from Translink for 100% of the Expo Line upgrades, and up to 50% for the Municipal Integration Fund project. The Expo Line upgrades financed by RTP 2000 cost $81.6 million and have been fully recovered. Of the $17.5 budgeted for the Municipal Integration Fund, RTP 2000 has recovered $16.0 million from TransLink for completed MIF works to date. No further work is forecasted under the Municipal Integration Fund.

MILLENNIUM LINE

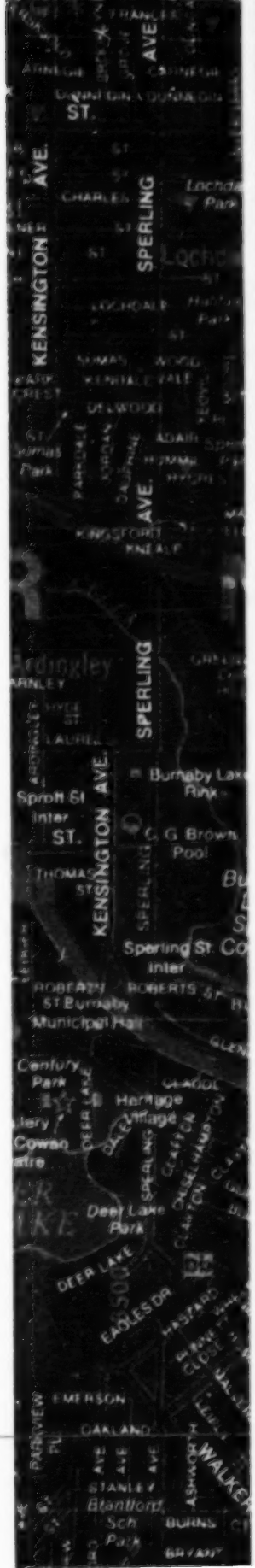
The Millennium Line's budget includes:

- $831.4 million for direct costs, including the cost of the guideway, stations, operating systems, vehicles, and land.
- $122.3 million for design, management, public consultation, and communications.
- $212.8 million for borrowing costs, taxes, and project contingency.

As of March 31, 2006, project expenditures totaled $1,093.7 million against recorded commitments of $1,096.0 million.

OTHER PROJECTS

To March 31, 2006, expenditures on the other projects totaled $149.3 million of the $171.0 million approved budget.



TOTAL PROJECTS

For fiscal 2005/06, RTP 2000's authorized capital expenditure limit was $14.0 million of which $9.6 million was actually drawn upon. The mitigation of construction related risks, favorable interest rate trends, and the capitalization of interest during construction upon substantial completion of contracts, lessened RTP 2000's need to draw upon its approved capital funding for the year.

As of March 31, 2006, RTP 2000's remaining project contingency totaled $0.8 million.

RTP 2000 has completed each of its approved projects under budget.

PROJECT MANAGEMENT

During the year, management continued to use a series of initiatives to enhance its integrated, scheduling, contract management and financial systems, including:

- Monthly cost reports to enable management and administration at both contract and work breakdown structure levels.
- Quarterly reviews of project closeout and staffing plans.

FINANCIAL STATEMENTS

Annual financial statements to March 31, 2006, as audited by KPMG LLP are appended.

Financial Statements of

RAPID TRANSIT PROJECT 2000 LTD.

Years ended March 31, 2006 and 2005

KPMG

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Burnaby BC V5H 4N2
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AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Rapid Transit Project 2000 Ltd. as at March 31, 2006 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Burnaby, Canada
May 5, 2006

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

RAPID TRANSIT PROJECT 2000 LTD.

Balance Sheets

March 31, 2006 and 2005

	2006	2005
Assets		
Current assets:		
Cash	$ 1,169,987	$ 1,529,400
Accounts receivable	100,001	167,001
Due from related parties (note 5)	72,651	54,065
Due from Greater Vancouver Transportation Authority	202,327	7,886
Goods and Services Tax receivable	16,432	95,970
	1,561,398	1,854,322
Capital assets (note 3)	968,845,988	980,000,230
Design and project costs (note 4)	-	1,602,479
	$ 970,407,386	$ 983,457,031
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 637,980	$ 1,937,970
Due to related parties (note 5)	62,932	61,914
Lien holdbacks	-	395,675
	700,912	2,395,559
Deferred contributions (note 6)	931,923,286	945,829,451
Shareholder's equity (note 7):		
Contributed surplus	37,783,187	35,232,020
Share capital	1	1
	37,783,188	35,232,021
	$ 970,407,386	$ 983,457,031

Commitments and contingencies (note 8)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

RAPID TRANSIT PROJECT 2000 LTD.

Statements of Operations

Years ended March 31, 2006 and 2005

	2006	2005
Revenue:		
Amortization of deferred contributions	$ 29,693,107	$ 26,751,768
Expenses:		
Amortization of capital assets	27,402,707	26,751,768
Amortization of design and project costs	2,290,400	-
	29,693,107	26,751,768
Net earnings	$ -	$ -

See accompanying notes to financial statements.

RAPID TRANSIT PROJECT 2000 LTD.

Statements of Cash Flows

Years ended March 31, 2006 and 2005

	2006	2005
Cash provided by (used in):		
Operations:		
Net earnings	$ -	$ -
Non-cash items:		
Amortization of deferred contributions	(29,693,107)	(26,751,768)
Amortization of capital assets	27,402,707	26,751,768
Amortization of design and project costs	2,290,400	-
	-	-
Investments:		
Capital assets additions	(16,248,465)	(14,315,063)
Increase in design and project costs	(687,921)	(793,665)
	(16,936,386)	(15,108,728)
Financing:		
Decrease in accounts receivable	67,000	100,328
Decrease (increase) in due from related parties	(18,586)	950,275
Decrease in Goods and Services Tax receivable	79,538	137,559
Decrease (increase) in due from Greater Vancouver Transportation Authority	(194,441)	195,622
Decrease in accounts payable and accrued liabilities	(1,299,990)	(829,978)
Increase (decrease) in due to related parties	1,018	(5,217)
Decrease in lien holdbacks	(395,675)	(332,487)
Decrease in fiscal agency loan	-	(160,131)
Increase in deferred contributions	15,736,490	15,000,876
Increase in accrued interest on deferred contributions	50,452	141,693
Increase in contributed surplus	2,551,167	187,883
	16,576,973	15,386,423
Increase (decrease) in cash	(359,413)	277,695
Cash, beginning of year	1,529,400	1,251,705
Cash, end of year	$ 1,169,987	$ 1,529,400

See accompanying notes to financial statements.

1. Rapid Transit Project 2000 Ltd.:

Rapid Transit Project 2000 Ltd. (the "Company") is incorporated under the laws of British Columbia. The Company is exempt from tax under the Income Tax Act as it is wholly owned by the Province of British Columbia ("the Province").

Based on a Protocol Agreement with the Province, as represented by the Minister of Finance and by the Minister Responsible for Transit, the Company is incorporated to carry out the study, design, construction and development of a Rail Transit System (the "SkyTrain Extension") approved by the Province. In this capacity, the Company acts as an agent for the Province and conducts its activities in a manner consistent with general financial and management policies approved by the Treasury Board and the Province's Policy Framework for Crown Entrepreneurial Activities. Ongoing funding, banking, borrowing and investing activities related to the Project are carried out in accordance with applicable agreements between the Company and Provincial Treasury.

Effective December 20, 2005, the approved scope of the Millennium Line ("the Line") was fully completed. On January 6, 2006, the final leg of Phase II, the VCC-Clark Station and guideway, was placed into revenue service. The Line is being operated under an interim use agreement by British Columbia Rapid Transit Company Ltd. ("BCRTC"), a subsidiary of the Greater Vancouver Transportation Authority ("GVTA").

Currently, the Company is negotiating a long-term agreement for use of the Line with the GVTA.

2. Significant accounting policies:

(a) Basis of presentation:

Costs associated with the construction of the SkyTrain Extension were capitalized on the accrual basis to either capital assets or design and project costs.

(b) Capital assets:

SkyTrain Extension construction costs are recorded at cost including interest during construction. Amortization is charged upon commencement of revenue service operations over the estimated service life using the straight-line method at the following annual rates:

Asset	Rate
Computer software	3 years
SkyTrain Extension	40 years
Vehicles	25 years

2. Significant accounting policies (continued):

(c) Design and project costs:

Design and project costs consist of start-up and pre-operating costs and include costs incurred during the design and definitions stage but before construction of specific segments of the Skytrain Extension.

Costs, relating to projects receiving approval for construction by the Treasury Board, were deferred until the related assets were ready for revenue service at which time the costs were charged to operations.

Costs, relating to projects not receiving approval for construction by the Treasury Board, were charged to operations when the project was ordered for closure.

(d) Deferred contributions:

Deferred contributions include capital and pre-operating contributions from the Ministry of Finance as well as attributed interest. Contributions for the construction of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Contributions for pre-operating costs are recognized as revenue in the year in which the related expenditures are recognized.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Significant areas requiring the use of management estimates relate to the provision for accrued liabilities, contingencies and the amortization of capital assets, design and project costs and deferred contributions. Actual results could differ from these estimates.

3. Capital assets:

			2006	2005
	Cost	Accumulated amortization	Net book value	Net book value
Construction-in-progress ("CIP") (schedule)	$ -	$ -	$ -	$ 18,191,318
Completed construction (schedule)	1,060,763,882	129,701,081	931,062,801	926,576,892
Land in use	37,783,187	-	37,783,187	35,232,020
Computer software	736,913	736,913	-	-
	$ 1,099,283,982	$130,437,994	$ 968,845,988	$ 980,000,230

3. Capital assets (continued):

Included within capital assets is $21.2 million of land, which was expropriated under the Expropriation Act and has been registered in the name of BC Transit. A number of previous owners of expropriated land have challenged the expropriated value. Any difference between the amounts paid and subsequently reassessed will be recorded in the period of reassessment. The balance of the land, $16.6 million, is registered in the Company's name.

Completed construction costs include other project costs consisting of municipal integration costs, systems upgrades to the current SkyTrain system and to the Operations and Maintenance Centre to accommodate the new Mark II vehicles, and funds advanced by the Company for a provincially approved pre-build of a connection at Lougheed Town Centre Station for the future Port Moody-Coquitlam Line. The Company received reimbursement from the GVTA of $16.0 million representing 50% of the Municipal Integration Fund costs and $81.6 million for the costs of the system upgrades. As at March 31, 2006, there are no further projects forecasted under the Municipal Integration Fund contract.

4. Design and project costs:

Costs incurred to date	2006	2005
Communications	$ 2,000	$ 2,000
Finance and administration	1,958,356	1,385,835
Other	330,044	214,644
Amortization of VCC design and project costs	(2,290,400)	-
	$ -	$ 1,602,479

Design and project costs relate to the completion of VCC Station and guideway project.

5. Related party transactions:

The following table summarizes the Company's related party transactions during the period not otherwise disclosed:

	2006	2005
Ministry of Finance	$ 240,054	$ 237,373
Vancouver Convention Centre Expansion Project Ltd.	86,832	95,355
BC Transportation Financing Authority	-	56,175

5. Related party transactions (continued):

These transactions, which are with common-controlled enterprises, are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The following amounts represent balances outstanding as at March 31, 2006 with related parties:

	2006	2005
Due from:		
Ministry of Finance	$ 19,800	$ -
Ministry of Transportation	-	918
Vancouver Convention Centre Expansion Project Ltd.	52,851	53,147
	$ 72,651	$ 54,065
Due to:		
Ministry of Finance	$ 55,796	$ 54,600
Vancouver Convention Centre Expansion Project Ltd.	7,136	7,314
	$ 62,932	$ 61,914

The amounts due from related parties are due on demand and have arisen from the secondment of staff as well as accruals for staff incentives. The amounts payable to related parties are due on demand and have arisen from the secondment of staff and shared project office costs.

6. Deferred contributions:

Deferred contributions are comprised of funding received as non-repayable Prepaid Capital Advances ("PCAs") as well as attributed interest from the Ministry of Finance for the design, planning and construction of the SkyTrain Extension and the related pre-operating costs. The deferred contributions have been funded by the Ministry of Finance by way of short-term notes and long-term notes. Interest, when attributed by the Province, for the short-term and long-term notes is capitalized to the PCAs.

In February 2006, the Company received a funding grant from the Ministry of Transportation for a PST assessment on the 40 vehicles purchased by the Company for lease to the GVTA for $8.9 million.

6. Deferred contributions (continued):

Funding for the deferred contributions of the project is as follows:

	2006	2005
Short-term discounted notes	$ 12,410,572	$ 2,744,456
Short-term interest capitalized and not refinanced through short-term notes	380,807	332,482
Long-term notes	1,052,664,316	1,052,902,910
Accrued interest on deferred contributions	89,088,256	89,037,804
Provincial grants	8,861,180	-
Interest reinvestment (included in accrued interest on deferred contributions)	(17,171,407)	(17,122,037)
Amortization of deferred contributions	(176,527,251)	(146,834,144)
	969,706,473	981,061,471
Deferred contributions funded for land in use (note 3)	(37,783,187)	(35,232,020)
	$ 931,923,286	$ 945,829,451

Interest during construction is being attributed by the Province at rates approximating 3.52% - 6.62%.

Deferred contributions funded towards the purchase of land have been shown as a direct increase to contributed surplus.

7. Shareholder's equity:

The Company has authorized and issued one common share without par value to Her Majesty the Queen in right of the Province of British Columbia.

The contributed surplus consists of deferred contributions funded for land in use.

8. Commitments and contingencies:

(a) Operating lease commitments:

In fiscal 2006/07, the Company is committed to $16,897 in payments under current operating leases.

(b) Close out costs:

As at March 31, 2006, the Company anticipates future expenditures of approximately $665,000 to complete the project.

(c) Contract changes under review:

At March 31, 2006, there were various contract changes under review. The Company has accrued its estimated cost related to these items. Any difference between amounts accrued and eventually paid will be recorded in the period of payment.

(d) Legal claims:

As at March 31, 2006, the Company is exposed to several legal claims as a result of the projects compulsory acquisition of land. It is in the opinion of management that these claims are without substantial merit and are unlikely to result in payments significant to the financial statements as a whole. No provision has been recorded in these financial statements in relation to these claims.

9. Financial instruments:

Fair values:

The fair values of the Company's accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short term to maturity. The fair value of cash approximates its carrying value as it earns interest at variable market rates.

The fair values of due from related parties and due to related parties are not practicable to determine due to their related party nature.

RAPID TRANSIT PROJECT 2000 LTD.

Schedule of Construction Costs

Years ended March 31, 2006 and 2005

Costs incurred to date	2006	2005
SkyTrain Extension:		
Electrical and mechanical systems	$ 232,684,317	$ 232,643,350
Guideway	361,893,271	361,640,467
VCC Station and Guideway	21,284,727	18,191,318
Stations	99,726,473	99,714,473
Systems wide elements	8,326,389	8,265,280
Vehicles	115,681,159	106,831,492
Design	26,216,474	26,216,474
Public consultation	4,375,856	4,375,856
Property management	5,489,067	5,335,441
Project controls	11,191,803	11,130,530
Engineering and design management	12,204,150	12,192,399
Construction management	17,512,643	17,512,643
Insurance	4,516,015	4,497,580
Interest	81,112,208	81,112,208
Other	12,225,634	11,325,641
Operations and Maintenance Centre	7,279,646	7,279,646
	1,021,719,832	1,008,264,798
Other project costs:		
Municipal Integration Fund:		
Costs	32,533,651	32,049,124
Amounts recovered from GVTA	(15,813,988)	(15,774,051)
Amounts recoverable from GVTA	(202,327)	-
	16,517,336	16,275,073
Less: MIF purchased land currently in use	(4,113,876)	(4,113,876)
	12,403,460	12,161,197
Systems upgrade:		
Costs	81,569,415	81,569,415
Amounts recovered from GVTA	(81,569,415)	(81,569,415)
	-	-
Coquitlam Pre-build	26,640,590	26,640,590
	39,044,050	38,801,787
	$ 1,060,763,882	$ 1,047,066,585
Consists of:		
Construction-in-progress	$ -	$ 18,191,318
Completed construction	1,060,763,882	1,028,875,267
	$ 1,060,763,882	$ 1,047,066,585